expansion of Medicare Programs since its creation, our Nation has had to respond to challenges of tremendous magnitude. In responding to those challenges, the Federal Government has had the responsibility to provide the resources so that the country could confront these challenges head on.

The Federal Government rightly appropriated $20 billion to help New York, hundreds of billions to provide our war fighters with the necessary equipment to provide for our national security and now well over $100 billion to help rebuild the gulf coast. We are dealing with all of these expenses, but we are ignoring the 800-pound gorilla in the room, the impending tidal wave of entitlements coming due.

I was pleased this President in the State of the Union Address acknowledged that:

> The retirement of the baby boom generation will put unprecedented strains on the federal government. By 2030, spending for Social Security, Medicare and Medicaid alone will be almost 60 percent of the entire federal budget. And that will present future Congresses with impossible choices staggering tax increases, immense deficits, or deep cuts in every category of spending.

I am pleased the President decided to focus on what some call the demographic tsunami coming our way and the necessity to reform entitlement programs before it hits. The 77 million baby boomers coming into the Social Security and Medicare Program will put the Federal budget under unprecedented pressure. Chairman GREGG took the courageous steps to take on entitlement spending through the Deficit Reduction Act of 2005. I supported his efforts.

However, this was just the tip of the iceberg. The truth is, we have not been serious about entitlement reform. The President called for a bipartisan commission to examine the full impact of baby boom retirements on Social Security, Medicare, and Medicaid in his State of the Union Address. It is imperative we move on this quickly. Unfortunately, we are still waiting for the commission to be appointed. Time is of the essence, and I hope that Secretary Snow and the administration will move quickly on creating that commission.

Social Security, Medicare, Medicaid, make up a significant portion of mandatory spending and mandatory spending is crowding out other parts of the budget. This chart shows in the year 1965 mandatory spending was 27 percent of our budget. In 1985, now we see mandatory spending makes up 42 percent, 44 percent is discretionary, and 14 percent is the interest on our debt. Now, in the year 2005, from 1985 to 2005, mandatory spending has jumped from 42 percent to 53 percent, and defense is 20 percent, nondefense is 19 percent, interest is 7 percent, and we have been lucky in terms of the interest costs because of the fact that our interest rates are very low today.

If we ever see an uptake in interest costs, we can go back to what percentage went toward interest. When I came to the Senate in 1999, our interest costs were about 13 percent, so they have gone down, but the fact of the matter is we need to be realistic about the fact that they are not always going to be as low as they are today, and if they go up, they will just gobble up more of the Federal budget.

According to the reports from Medicare and Social Security trustees, the trust funds for these programs will be exhausted even earlier than previously thought. According to the trustees report that came back last week, the cost of Social Security and Medicare will grow from nearly 7.4 percent of the economy today to 12.7 percent by 2030, consuming approximately not just 60 percent as predicted by the administration but 70 percent of all Federal revenues, crowding out all other discretionary spending. No matter which way you look at it, if we leave reform of entitlement programs for future Congresses to solve, as well as a mountain of national debt to pay off, it will have devastating consequences on the economy and on our children and grandchildren.

Some Members believe that the solution is to grow the economy out of the problem, that by cutting taxes permanently the economy will eventually raise enough revenue to offset any current losses to the U.S. Treasury. I respectfully disagree with that assertion. I do not believe that in the current situation our country faces, we can continue to spend more than we take in.

By the General Accounting Office's own estimates, about 35 years from now, that is when my grandchildren have their own children to care for, balancing the budget would require actions as large as cutting total Federal spending by 60 percent or raising taxes 2.5 times what they are at today's level.

Our friends overseas and Europe are experiencing what we will experience if we do not get a hold of our finances.

In November 2005, former Federal Reserve Chairman Alan Greenspan testified before the Joint Economic Committee and told Congress:

> We should not be cutting taxes by borrowing. We do not have the capability of having both productive tax cuts and large expenditure increases, and presume that the deficit doesn't matter.

That is exactly what we have been doing the last several years.

I have said many times on this floor that our major problem is we are unwilling to pay for or go without what we want to get done. We have been willing, time and time again, to put the cost of our current spending on the credit cards of our children and grandchildren. To be candid and fair, we had no choice in much of the spending since 9/11. The Federal Government had to rebuild after 9/11. We have made the decision to increase security for the homeland. We have to fund the war in Iraq and Afghanistan. And we have to rebuild after the devastation of dealing with Hurricanes Katrina and Rita. In other words, our costs are something we have not been able to control because of the war abroad, securing our homeland, and these hurricanes which were unprecedented in our country's history.

While we have had to spend hundreds of billions of dollars on these events, the Senate has made the decision to squeeze the nondefense discretionary budget. In fact, the pendulum has swung from the Senate spending money like drunken sailors during the first years I was here to now cutting these nondefense discretionary accounts to the bone in the name of fiscal responsibility.

Unfortunately, fiscal responsibility cannot be defined solely by restraining and cutting nondefense discretionary spending. These accounts are only one-fifth of the budget and, frankly, with some of the cuts to these accounts, I believe we are eating our seed corn in the name of fiscal responsibility.

I would be the first to cut the excess out of the budgets. I only have to think back to my mayoral days and my Governor days. As mayor of Cleveland, we inherited the first major city in the United States to default on its loans since the Great Depression. By making tough choices, we turned the city around.

As Governor, we faced a no less daunting challenge. We came into office in a $1.5 billion hole. We scoured through line by line and went through four rounds of cuts in the State budget. After the fourth cut, the math still did not add up. We had to raise revenues to meet the responsibilities of the State—a solution that was not easy. But at the end of the day, it was necessary because—do you know what—we had to balance our State budget.

I had to balance my budgets when I was the mayor of the city of Cleveland. Unfortunately, we do not have to balance our budgets here in Washington. After getting back on even keel, we were able to reduce taxes in each of the last 3 years of my administration. But we had to get back on even keel.

I view the situation our Nation faces today in a very similar light. We are in a heck of a spot. Our Nation has faced extraordinary costs that could not be foreseen. And at the same time, we are talking about reducing revenues. We have cut nondefense discretionary spending, and I am sure there are those who believe we can cut more. I think we have come to the point where we need to face reality. These numbers just do not add up.

Now, I want to say that I am not against tax cuts. In other words, I have been for it. I supported tax cuts in 2001, 2002, 2003, 2004. In 2001, we were facing a starkly different fiscal picture than we have today. I think it is really important to understand that. The fiscal picture today is entirely different than when we started the tax cuts in 2001. The surplus over 10 years was estimated to be $5.6 trillion—a lot of money. Congress, as I mentioned, spent